

# Senate Budget & Fiscal Review

## *Senator Wesley Chesbro, Chair*



Subcommittee No. 3  
on  
Health, Human Services, Labor, and Veterans Affairs

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Upon Conclusion of Senate Floor Session  
Room 4203

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## 4200 Department of Alcohol and Drug Programs

The Department of Alcohol and Drug Programs (DADP) receives and disburses federal and state alcohol and drug funds to plan, develop, implement and evaluate a statewide system for alcohol and other drug intervention, prevention, detoxification, treatment and recovery services. The Department is the lead agency in the implementation of Proposition 36 (the Substance Abuse and Crime Prevention Act of 2000). In FY 2002-03 the Department estimates that, through its county partners, services will be delivered to 347,800 persons. Appropriations in the budget year are proposed to decrease by \$91.3 million (15.8 percent) due to the proposed realignment to counties of alcohol and drug services.

<b>Summary of Expenditures</b> (dollars in thousands)	2002-03	2003-04	\$ Change	% Change
General Fund	\$232,811	\$5,673	-\$227,138	-97.5
Sale of Tobacco to Minor Control Acct.	-2,000	-2,000	0	0.0
Driving-Under-the-Influence Program Licensing Fund	1,573	1,573	0	0.0
Narcotic Treatment Program Licensing Fund	1,450	1,550	100	-6.8
Audit Repayment Trust Fund	67	67	0	0.0
Federal Trust Fund	274,717	275,266	549	.1
Resident Run Housing Revolving Fund	39	39	0	0.0
Reimbursements	65,813	200,976	135,163	205.0
Substance Abuse Treatment Trust Fund (non-add)	[120,087]	0		
<b>Total</b>	<b>\$574,470</b>	<b>\$483,144</b>	<b>-\$91,326</b>	<b>-15.8</b>

### **1. Little Hoover Commission Report on Substance Abuse Treatment Services in California**

**Background:** The Little Hoover Commission recently examined the economic and human impact of alcohol and drug abuse in California, the demand for substance abuse services, and the current service delivery system. **The Commission reports that the estimated annual economic impact of drug abuse exceeds \$32.7 billion per year.** Substance abuse contributes to high health care, social services, and public safety costs, as well as substantial losses due to crime and diminished productivity. Nationally, **drug and alcohol abuse cost employers more than \$140 billion per year** due to absenteeism, lost productivity, accidents and medical claims.

According to a University of California at Los Angeles (UCLA) study, **2.3 million Californians need substance abuse services each year.** Sixty-one percent of those in need of substance abuse services are non-institutionalized adults, 10 percent are youth, and half of them are eligible for publicly funded programs. Seniors are a growing percentage of the population in need of treatment. An estimated 330,000 Californians seek publicly funded treatment in any given year; 130,000 of them will be served.

Substance abuse is a growing problem among institutionalized Californians as **61 percent of persons arrested and 85 percent of youth in California Youth Authority facilities have a substance abuse problem.** California spent \$130 million to deliver substance abuse services to these individuals in 2001-02.

**Similarly, substance abuse is a significant factor affecting California's ability to protect children from abuse or neglect.** A 1992 study found that 11 percent of infants were exposed to alcohol or drugs in the womb. Approximately **80 percent of the state's 125,000 cases of child abuse or neglect involve substance abuse.** According to the Department of Social Services, **substance abuse is a significant factor in the cases of 80 percent of California's 90,000 youth in foster care.** Children whose parents abuse drugs and alcohol and are three times likelier to be physically or sexually assaulted and more than four times likelier to be neglected than children whose parents are not substance abusers. These children are also four times more likely to become addicts in the future.

California funds and administers numerous programs to prevent and treat substance abuse. These programs serve pregnant women, youth, CalWORKs recipients, inmates, parolees, drug offenders, low-income parents and low-income aged or disabled individuals. In 2001-02, California spent approximately \$730 million in federal, state and local funds to support alcohol and drug abuse treatment.

The Little Hoover Commission's examination of the demand for substance abuse services and the state's existing service delivery system identified significant unmet needs and programmatic deficiencies. **The Commission concluded that the state's substance abuse prevention and treatment system is fractured, lacks flexibility, and would benefit from enhanced service coordination and prioritization efforts.** The Commission writes that California could do much more to coordinate drug control efforts, target resources, improve the quality of treatment, integrate interventions to improve effectiveness and make the most of available funding.

**The Commission recommends that California:**

- Work with counties to assess the impact of substance abuse on communities and target treatment resources to clients posing the greatest social and financial costs
  - Shift resources to intervene earlier with substance abusers and target prevention dollars to children with the highest risk factors for alcohol and drug abuse
  - Establish accountability outcomes for state and local substance abuse programs
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- Implement outcome based quality control standards for treatment personnel, programs and facilities to encourage ongoing quality improvement
- Facilitate the integration of alcohol and drug treatment with other social services to reduce substance abuse and related public costs
- Maximize available resources that can support treatment by maximizing available federal funds, pursuing client reimbursement, expanding private sector participation, and identifying new sources of revenue

The Commission also recommends that California define and enhance the role of the director of the Department of Alcohol and Drug Programs, accelerate DADP's implementation of the new California Outcomes Measurement System, and adopt specified reforms to improve the quality of substance abuse services.

**Subcommittee request and questions:** The Subcommittee has requested that the Little Hoover Commission answer the following questions:

1. Briefly discuss the economic and social impact of substance abuse in California, including the fiscal impact of alcohol and drug abuse, the prevalence of substance abuse in the public safety system, and the impact of substance abuse on state efforts to protect children from abuse and neglect.
2. Briefly discuss your recommendations, including targeting resources to clients posing the greatest social and financial costs to the state.

The Subcommittee has requested that the Department of Alcohol and Drug Programs answer the following questions:

1. Briefly discuss the state's efforts to prevent and treat substance abuse in California.
2. Briefly discuss the findings and recommendations of the Little Hoover Commission and their implications on the existing treatment delivery system.
3. Discuss the programmatic and fiscal implications of targeting resources to clients posing the greatest social and financial costs to the state and the factors affecting program and funding flexibility.

## **2. Drug Medi-Cal**

**Background:** The Drug Medi-Cal program provides specified substance abuse treatment services to low-income parents, children, seniors and persons with disabilities enrolled in the Medi-Cal program. Drug Medi-Cal is overseen by the Department of Alcohol and Drug Services and administered locally by county alcohol and drug programs, in collaboration with county welfare departments. The program is funded by state and federal matching funds at an approximate ratio of 1 to 1.

Drug Medi-Cal serves approximately 37,941 persons through one of four treatment modalities, Narcotic Treatment Program, Day Care Rehabilitative, Outpatient Drug Free, and Perinatal Substance Abuse Services.

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The treatment modalities include the following specific services:

- **Narcotics Treatment Program** provides narcotic replacement drugs, treatment planning, body specimen screening, substance abuse related physician and nurse services, counseling, annual physical examinations, laboratory tests and medication services to person who are opiate addicted and have substance abuse diagnosis. The program does not provide detoxification treatment.
- **Day Care Rehabilitative** provides specific outpatient counseling and rehabilitation services to persons with substance abuse diagnosis who are pregnant, in the postpartum period, and/or are youth eligible for Early and Periodic Screening, Diagnosis and Treatment.
- **Outpatient Drug Free** provides admission physical examinations, medical direction, medication services, treatment and discharge planning, body specimen screening, limited counseling, and collateral services to stabilize and rehabilitate persons with substance abuse diagnosis.
- **Perinatal Substance Abuse Services** is a non-institutional, non-medical residential program that provides certain rehabilitation services to pregnant and postpartum women with substance abuse diagnosis.

During prior years' budget deliberations, the Subcommittee has considered programmatic factors that limit access to appropriate substance abuse services for Medi-Cal beneficiaries. The Subcommittee has been particularly concerned about the effect of the limited scope of Drug Medi-Cal services on the state's ability to serve low-income children and youth appropriately. Prior year efforts to expand covered services were impeded by delays in necessary federal approvals and the state's fiscal status.

Treatment services to Californians, including children and youth, remain significantly below estimates of the incidence of substance abuse in the population. UCLA estimates that **2.3 million Californians need substance abuse services each year**. Sixty one percent of those in need of substance abuse services are non-institutionalized adults, 10 percent are youth. Half of them are eligible for public programs. UCLA estimates that 330,000 persons seek publicly funded treatment each year; 130,000 of them receive services.

**Governor's Budget:** The budget (1) reduces program funding by \$2.6 million and (2) proposes to realign the program to counties for general fund savings of \$49 million.

The proposed program funding reduction reflects slightly reduced program caseload, cost adjustments and changes in utilization of services. According to DADP, the caseload reductions are the result of changes in the department's estimating methodology.

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**Subcommittee request and questions:** The Subcommittee has requested that the Department of Alcohol and Drug Programs answer the following questions:

1. Briefly discuss key program features and the extent to which the program meets the estimated need for alcohol and drug services.
2. Discuss the proposed Drug Medi-Cal estimate.
3. Does your estimate consider the proposed Medi-Cal eligibility reductions? What is the effect of these reductions?

### **3. Substance Abuse and Crime Prevention Act**

**Background:** In November 2000, **California voters approved Proposition 36**, the Substance Abuse and Crime Prevention Act (SACPA), **to provide substance abuse treatment instead of incarceration to non-violent drug offenders.** Since the voters approval, the Department of Alcohol and Drug Programs, the Judicial Council, the Department of Corrections, counties and other stakeholders from the public safety and alcohol and drug treatment communities have worked collaboratively to implement the proposition in an expedited manner. **California has implemented the new law in all counties and has significantly expanded available substance abuse treatment services.** Preliminary data suggests that the new law has significantly increased access to substance abuse services for non-violent drug offenders and is generating prison savings.

SACPA changed state sentencing laws, effective July 1, 2001, to require adult offenders convicted of nonviolent drug possession to be sentenced to probation and drug treatment instead of prison, jail or probation without treatment. The Act excludes offenders who refuse treatment or who are found by the courts to be “unamenable to treatment”. The Act further requires that parolees with no history of violent convictions who commit a non-violent drug offense or violate a drug-related condition of parole be required to complete drug treatment in the community, rather than being returned to state prison.

**SACPA requires that the state provide \$120 million annually through 2005-06, to be deposited to a new Substance Abuse Treatment Trust Fund, and distributed to counties to pay for the costs of treatment and related programs.** Funds may be used for substance abuse assessment, treatment, vocational training, family counseling, literacy training, probation supervision and court monitoring of offenders.

Proposition 36 prohibits the use of funds from the Substance Abuse Treatment Trust Fund for the cost of drug testing. Most alcohol and other drug treatment professionals view mandatory and random drug testing as an important and integral component of successful treatment. Accordingly, **the Legislature approved legislation in 2001 (SB 223, Burton, Chapter 721) that allows drug testing for clients treated under SACPA.** The bill required that funding be provided to supplement existing testing programs and provides that federal funds can be used for drug testing where consistent with federal law. It also requires that drug testing not be given greater weight than other aspects of the

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treatment program where treatment is a condition of probation or parole; and requires counties to have an approved plan to receive funds for testing. Last year's budget provided approximately \$8.6 million in federal funds for drug testing.

DADP released the first annual report regarding the programmatic and financial impact of Proposition 36 in November 2002. The report discusses the Act's implementation and provides early data based on program outcomes between July 1 and December 31, 2001.

**The Department reports that:**

- **SACPA was implemented quickly and efficiently.** State and local agencies representing the judiciary, law enforcement, health, drug treatment, social services, and government administration have worked collaboratively to implement the initiative.
- The initiative is operational in all 58 counties
- **Eligible drug offenders are being assessed, referred, and admitted to treatment services** rather than jail or prison. **An estimated 12,000 were processed by the criminal justice system and received services in the first 6 months.**
- **The number of licensed and certified substance abuse treatment providers has increased by 42 percent since November 2000.**
- New partnerships between universities, private foundations, and the state have been formed to support technical assistance to counties.
- A long-term evaluation of program outcomes has been designed and is underway. The Integrated Substance Abuse Programs Division of the University of California, Los Angeles, is conducting the evaluation. It will examine patterns of implementation, system impacts, net costs, adequacy of funding, offender outcomes related to criminal recidivism, substance abuse, employment, education, training and health and family well-being.

**Preliminary data indicates that:**

- **Approximately 12,000 clients were processed through the criminal justice system and received treatment under SACPA during the first six months.**
  - 60 percent individuals referred to treatment were admitted in the first six months. By the end of the first year, this percentage rose to 70 percent. Not everyone who is eligible for Proposition 36 is referred to treatment as clients can opt out. Some individuals accept treatment as an option, and for various reasons, do not show up for treatment. In some cases, there were system impediments to quickly moving individuals from the courts and parole to treatment.
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- Treatment capacity across the state has expanded, with licensed residential programs increasing by 17 percent and certified outpatient programs increasing by 81 percent.
- **SACPA clients represent 9% of the total treatment population and look similar to other treatment populations in terms of age at admission to treatment, ethnicity and gender.** 48% are white, 31% are Hispanic, and 15% are African-American. 71% are male. More than 53% of clients were between 31 and 45 years old at admission to treatment. Almost 63% were younger than 20 years old when they first used their primary drug; more than 21% reported being younger than 15 years of age at first use. **Unlike other treatment populations, methamphetamine was the drug of choice for nearly half of SACPA clients (48%).**
- SACPA clients typically received outpatient treatment (76%) or long-term residential treatment (12%). Some counties are reporting that SACPA clients are requiring a substantially higher level of care than they expected.
- Counties spent 15 percent of allocated funds in the first six months. Spending increased to 62 percent of the allocation by the end of the first year.
- During the first six months, county expenditures for treatment and criminal justice were divided 68 percent/32 percent, respectively. By the end of the year, service expenditures increased to 77 percent. Counties expect a continued shift toward services as clients enter treatment programs and criminal justice costs are distributed over the full year.

**Governor's budget:** The Budget (1) proposes to realign SACPA to counties and (2) proposes \$120 million in county funding for implementation of SACPA. An additional \$8.6 million in federal funds is provided by the Department for drug testing.

**Subcommittee request and questions:** The Subcommittee has requested that the Department of Alcohol and Drug Programs answer the following questions:

1. Briefly discuss the status of SACPA implementation.
2. Briefly discuss who is being served by SACPA and how they compare to other treatment populations.
3. Discuss the initial program outcome data, including the rate of client participation in treatment services.

#### **4. Drug Courts**

**Background:** California's drug court programs work to reduce drug usage and recidivism through the provision of court supervised substance abuse treatment. They integrate drug treatment with other rehabilitation services to promote long-term recovery and reduce social and financial costs of substance abuse. Judges modify

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program services based on client needs and exercise different enforcement options to assure client compliance with treatment. Drug courts are diverse and serve different populations including adults, juveniles, repeat drug offenders, multiple offenders, and probation violators. Generally, **drug court participants have abused alcohol or other drugs for ten or more years and received little or no substance abuse treatment.**

**California supports drug courts through the Drug Court Partnership (DCP) and the Comprehensive Drug Court Implementation (CDCI).** The state provides \$11.6 million in total funding for drug courts, of which \$419,000 is used in state support.

**The Drug Court Partnership program was established as a four-year demonstration project in 1998.** Last year, **Assembly Bill 444 (Chapter 1022, Statutes of 2002) extended and modified the program.** AB 444 required that counties only serve adult defendants, who have been convicted of felonies and placed on probation, conditioned on their participation in the drug court program, and that they provide DADP with data to measure cost avoidance. Thirty-three counties are currently participating in the program.

DCP program funds are administered by the Department under program design and implementation guidelines developed in consultation with the Judicial Council. Funds are allocated as a grant amount for small/medium programs and large programs, depending on county size.

**Preliminary outcome data of modified DCP program demonstrates state prison savings of \$1.42 per dollar spent. It is likely that future data will show a higher level of savings.** Future savings are expected to be higher in part because some counties are not required to restructure their program to focus on post-plea felons until May 2003.

**Established in 1999, the Comprehensive Drug Court Implementation Program provides grants to 47 counties to operate varying drug court models that serve adults, juveniles and parents whose children are dependents of the state.** CDCI grants are allocated according to a population-based methodology. Funds can be used for pre- or post-plea services. CDCI receives \$7 million in funding.

**CDCI has averted \$23.8 million in prison day costs. Additionally, the DADP reports the following program outcomes:**

Adult Drug Courts:

- 56 percent of participants successfully completed the program avoiding 561,417 prison days and 367,456 jail days.
  - 96 percent of the 263,900 drug tests administered were negative
  - 44 percent of participants obtained jobs while in the program
  - 96 percent of babies born to female participants were drug-free
  - 87 percent of homeless participants obtained housing while in the program
  - 1,022 participants enrolled in educational or vocational programs
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- 1,002 participants reunified with their family and 379 participants made child support payments regularly

#### Juvenile Drug Courts

- 29 percent of participants successfully completed the program avoiding 1,270 days in California Youth Authority, 40,955 days in Juvenile Hall and 7,298 days in group homes.
- 25,850 of 28,397 drug tests administered were negative (91%)
- 31 percent of participants obtained jobs while in the program
- 98 percent of babies born to female participants were drug-free
- 25 percent of participants improved their GPA and 60 percent increased school attendance
- 23 percent enrolled in school, vocational programs or post-secondary education
- 18 percent graduated from high school or received their GED and 35 participants completed vocational and/or other educational programs

#### Dependency Drug Courts

- 29 percent of participants successfully completed the program
- 21 percent were compliant with, or completed the reunification plan
- 193 participants' dependents were unified with one or both parents, and avoided 10,205 days in foster care or guardianship
- 96 percent of drug tests administered were negative and 91 percent of babies born to female participants were drug-free

**Governor's Budget:** The budget provides \$11.6 million in funding for drug courts and proposes to realign the programs to counties. Annualized funding for the Drug Court program amounts to \$14.75 million.

**Subcommittee request and questions:** The Subcommittee has requested that the Department of Alcohol and Drug Programs answer the following questions:

1. Discuss how have drug courts evolved since the implementation of Proposition 36.
2. Discuss drug court program outcomes, including their fiscal impact. How do program outcomes and savings vary between programs (DCP and CDCI) and court models (adult, dependency, and juvenile, as well as pre- and post-plea).

### **5. Substance Abuse Management Recovery System**

**Background:** The Substance Abuse Recovery Management System (SARMS) is a dependency drug court operating in San Diego county which works to foster care costs by providing substance abuse treatment to parents who are involved in dependency court cases. SARMS is funded by a combination of funding sources and with approximately

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1000 parents enrolled. SARMS is one of several programs providing substance abuse services to parents whose children are dependents of the state. Given estimates that 80 percent of the state's 125,000 substantiated cases of child abuse or neglect and 80 percent of the 90,000 foster care cases involve substance abuse, the state will likely benefit from treatment modalities that effectively reduce the incidence of substance abuse among parents involved in dependency court.

Last year, the Legislature enacted legislation to determine the costs and fiscal benefits of SARMS. Assembly Bill 444 (Committee on Budget), Chapter 1022, Statutes of 2002, established the intent of the Legislature that the State Department of Social Services (DSS), in collaboration with the Judicial Council, the Department of Alcohol and Drug Programs, and San Diego County, evaluate SARMS. The bill established the Legislature's intent that DSS identify possible funding, including available resources from local government agencies, private foundations, universities, and federal grants for purposes of the evaluation.

**Subcommittee request and questions:** The Subcommittee has requested that the Department of Social Services answer the following questions:

1. Briefly describe the SARMS drug court.
2. Briefly discuss the status of the SARMS evaluation and its scope.
3. Discuss the effect on child welfare services programs of dependency courts or similar programs operated by other states.

## **6. Perinatal Programs**

**Background:** California supports the delivery of perinatal substance abuse treatment services to 37,600 women to reduce the incidence of substance abuse among mothers and reduce fetus exposure to alcohol and drugs. Comprehensive perinatal services include alcohol and drug treatment services, such as body fluid screening, medication services and treatment planning, as well as, comprehensive case management, cooperative child care, parenting skills, health and child development education, linkages to medical, HIV/TB testing and counseling.

California provides perinatal services through the Drug Medi-Cal Program, non-Drug Medi-Cal community treatment program, and the "Women and Children's Residential Treatment Services" program. Drug Medi-Cal services and other community treatment services are limited in scope and do not provide collateral services. Drug Medi-Cal services are limited to the time of pregnancy and 60 days following the birth of the child.

The Women and Children's Residential Treatment Services provide a system of comprehensive services to pregnant and parenting women. It establishes a funding set aside for a network of Perinatal Treatment Programs, initially funded by the federal Center for Substance Abuse Treatment grants. These nine programs provide addiction treatment, health care, parenting services, vocational and education services. Each

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grantee monitors for health status, child welfare status, criminal justice involvement and emergency room use. Many clients have concurrent health or mental health disorders, are homeless, HIV positive, or have learning disabilities.

The nine federal network programs, and the full-service residential programs they operate, reportedly have better outcomes than other perinatal programs. Examples include: clean and sober 12 months post treatment (75% vs. 47%); percentage employed, in job training or in school post treatment (65% vs. 41%); and reunified with their children (75% vs. 21%). On the other hand, some county administrators believe that outcomes from outpatient perinatal program can result in excellent outcomes. One county provided outcomes from out-patient perinatal programs that include: clean and sober 6 months post treatment (80%); percent of those unemployed at entry who were subsequently employed at completion (95%); and percent who complete the 18-month program (75%). Although these programs claim significant success at reunifying women with their children, there is not a specific link between foster care treatment programs and these perinatal programs.

California has funded the nine federal network programs with state funds for the last five years. Advocates for these programs would like to see the designated funding continue.

**Governor's budget:** The budget proposes to realign alcohol and drug treatment programs to counties and does not provide a set aside for the nine federal network perinatal programs.

Advocates for the program request that the Legislature continue providing set aside funding for these nine programs and propose the following budget control language to accomplish that goal:

*Of the funds appropriated in this item, \$6,408,000 shall be used to fund existing residential perinatal treatment programs that were begun through the federal Center for Substance Abuse Treatment grants but whose grants have since expired and currently are constituted as Women and Children's Residential Treatment Services. For counties in which there is such a provider, the Department of Alcohol and Drug Programs shall include language in those counties' allocation letters that indicates the amount of the allocation designated for the provider during the fiscal year.*

*Pursuant to Section 11840.1 of the Health and Safety Code, the treatment programs that were established through the federal Center for Substance Abuse Treatment grants are not subject to the county 10 percent match. All of the funds allocated for programs shall be passed through those counties directly to the designated nine residential treatment programs in each county, respectively.*

*Notwithstanding any specified amount in other provisions of this Item, any general reduction in Item 4200-104-0001 shall be made proportionately between the Women and Children's Residential Treatment Services and other perinatal programs.*

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**Subcommittee request and questions:** The Subcommittee has requested that the Department of Alcohol and Drug Programs answer the following questions:

1. What counties do the Women and Children's Residential Treatment Services treatment providers currently serve?
2. What is the effect of funding set aside, such as the one proposed by the California Perinatal Treatment Network, on the ability of counties to modify program services to meet program needs?

## **7. State Incentive Grant**

**Background:** The Department of Alcohol and Drug programs recently applied for and was awarded federal funding to support expanded prevention efforts to reduce the incidence of substance abuse among youth. **The federal funding will support the development and implementation of science based substance abuse prevention programs and practices at the local level.** The federal funding can also be used to increase collaboration and coordination at the state level among agencies with prevention initiatives that target youth and young adults. **California's State Incentive Grant (SIG) will support local projects to reduce binge drinking among 12-to 25-year old youth.**

**In addition to funding expanded prevention efforts, the State Incentive Grant will provide California an opportunity to plan and implement performance based programs and services as the federal government moves towards performance-based accountability practices.**

**Governor's Budget:** The budget provides \$4 million in federal funds to implement science based substance abuse prevention programs and practices at the local level that target youth. \$3.5 million of these funds are proposed for local assistance and \$500,000 for state operations.

The Department is in the process of developing an RFP for the program. It plans to award grants to 20-25 counties based on a competitive process. Grant sizes will depend on the scope of the proposed local initiative, but will not exceed \$250,000.

The budget establishes three limited term positions to evaluate, plan and implement the State Incentive Grant. DADP argues that the positions are necessary to accommodate program interaction with grantees and the federal government, as SIG will operate through a federal/state cooperative agreement and federal program staff will be directly and substantially involved in designing and implementing all aspects of the state program. The proposed administrative expenditures are below the 15 percent maximum for state administration established by the federal government.

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**Subcommittee request and questions:** The Subcommittee has requested that the Department of Alcohol and Drug Programs describe the proposed State Incentive Grant, the status of implementation, and the state's efforts to assure SIG grantees and the constituencies they serve are geographically, economically, and ethnically diverse.

## **8. Substance Abuse Prevention and Treatment Block Grant**

**Background:** California applies for and receives on an annual basis a federal Substance Abuse Prevention and Treatment (SAPT) Block Grant funds from the Substance Abuse and Mental Health Services Administration to support substance abuse prevention and treatment services. For federal fiscal year 2003 (beginning October 1, 2002), the grant award amount is \$251,851,368. SAPT funds must be used to plan, carry out, and evaluate activities to prevent and treat substance abuse. In California, SAPT funding support all the modalities (residential, outpatient, perinatal, narcotic treatment) and prevention activities.

**As a condition of receiving SAPT Block Grant funds, California must comply with a maintenance of effort (MOE) requirement.** California must maintain state expenditures for substance abuse prevention and treatment services at a level equal or higher than the average state expenditures for the preceding two state fiscal years.

**The state must also maintain an MOE for pregnant and parenting women.** Funding for substance abuse treatment services for pregnant women and women with dependent children must be at least \$26.349 million of which not less than \$15.554 million must be from SAPT Block Grant funds.

**The state must meet an MOE for tuberculosis services,** which is at least \$237,200.

**Lastly, there is an MOE for HIV Early Intervention Services.** The State must maintain state expenditures for HIV Early Intervention Services at \$2,050,000. In the FFY 2003 SAPT Block Grant application, state expenditures for HIV Early Intervention services were \$18,292,000.

Failure to meet the MOE requirement results in a dollar of federal funds lost for every dollar below the amount required for the MOE. ADP requested to have Proposition 36 funds excluded from the MOE. SAMHSA denied the request. Further, when formally asked for an appeal process the SAMHSA advised there is no appeal process.

The total MOE for 2003-04 is \$247,984,000. The MOE is not a fixed amount that is changed through policy actions. Rather, it is a reflection of non-federal funds expended by the state for grant eligible activities. Because Proposition 36 now must be included in the MOE, the Department meets its MOE requirement. As a result of the federal denial of the request to exclude Proposition 36 from the MOE calculation, California must maintain the non-federal expenditures at the current level or risk losing SAPT Block Grant funds. If in 2005-06 Proposition 36 funding should be terminated, and the General

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Fund expended by the Department decreased commensurately, the SAPT Block Grant funding level would be reduced for the subsequent 2 federal fiscal years.

**Subcommittee request and questions:** The Subcommittee has requested that the Department of Alcohol and Drug Programs answer the following questions:

1. Describe the proposed expenditure level for substance abuse prevention and treatment efforts. Is it sufficient to meet the federal MOE?
2. Discuss the implications of the federal decision to include Proposition 36 funding within the state's SAPT MOE.

## **9. Performance Partnership Grants**

**Background:** The federal Children's Health Act of 2000 **requires the Federal Secretary of Health and Human Services to develop a plan to provide state flexibility and establish accountability measures that are based on outcomes and other performance measures.** The Act designates substance abuse prevention and treatment programs among those to operate under the new Performance Partnership Grants (PPG) commencing October 2003.

It appears the federal government will delay implementation of the new performance based system. However, in the foreseeable future, states will be required to transition to the new PPG system. **States will be required to measure performance on core indicators including alcohol use, all other drug use, criminal justice involvement, employment, pregnant addicts, HIV transmission, Tuberculosis and co-occurring disorders.** States will also develop and negotiate two to ten unique performance measures and associated outcome targets. **It is unclear if and when federal program funding will be based on program outcomes.**

California has begun the process of evaluating its program and planning for the implementation of PPGs. State planning activities include reviewing current systems, programs, regulatory and statutory schemes to assure they are consistent with the new system, and develop a process to establish state performance measures and outcome targets. The state is also evaluating fiscal and program processes to assure they are consistent with the new system.

**Governor's Budget:** The budget provides \$242,000 to fund 3 positions to evaluate, plan and implement the federal Performance Partnership Grants.

**Subcommittee request and questions:** The Subcommittee has requested that the Department of Alcohol and Drug Programs answer the following questions:

1. Discuss the status of the federal implementation of Performance Partnership Grants.
  2. How will the federal delay in implementation affect the state's workload to plan for and implement PPGs?
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## **10. Realignment of Alcohol and Drug Treatment Programs**

**Background:** California funds and administers numerous programs to prevent and treat substance abuse. The programs serve pregnant women, youth, CalWORKs recipients, inmates, parolees, drug offenders, low-income parents and low-income aged or disabled individuals. California's substance abuse treatment programs include Drug Medi-Cal, Proposition 36, non-Drug Medi-Cal community treatment programs, perinatal programs and drug courts. The Department of Alcohol and Drug Programs partners with county alcohol and drug programs, the Judicial Council, courts and other state and local entities to administer these programs.

Requirements vary significantly across alcohol and drug programs. For example, specific federal and state eligibility and program criteria govern Drug Medi-Cal. Non-Drug Medi-Cal community treatment programs function in accordance with state requirements, local priorities and federal SAPT maintenance of effort requirements. Proposition 36 operate in compliance with state criteria but vary significantly across the state. Unlike Drug Medi-Cal and other community treatment programs, Proposition 36 programs and Drug Court programs hinge on effective collaboration between public safety entities, the courts and county alcohol and drug treatment programs.

**Governor's Budget:** The budget **proposes to realign alcohol and drug treatment programs to counties for general fund savings of \$230 million.** The realigned programs include Drug Medi-Cal services, drug court programs, Proposition 36 funding and non-Medi-Cal alcohol and drug services.

The proposed realignment of drug and alcohol programs may provide an opportunity for innovation at the local level and a chance to address barriers to individuals accessing services within the existing alcohol and drug treatment programs. However, federal maintenance of effort requirements, current program design and the degree of inter-agency cooperation in the implementation of these programs significantly complicate the proposed realignment. Additionally, federal maintenance of effort requirements limit county flexibility to establish funding priorities and modify program services to meet local needs.

Alcohol and drug treatment providers, including county alcohol and drug programs and private providers, oppose the propose realignment. They argue that it will result in variance in the availability of substance abuse services across the state and will diminish access to treatment services for Californians. Opponents believe that disparities between the proposed revenue streams and the rate of growth of the realigned programs will erode available funding for substance abuse treatments. Further, opponents argue that the proposed realignment violates the requirements of Proposition 36 and court judgements that narcotic treatment services be available to Medi-Cal beneficiaries across the state.

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The Legislative Analyst's review of the Governor's proposed realignment concluded that alcohol and drug treatment programs might be good candidates for realignment. The Analyst believes that Proposition 36 requirements and federal maintenance of effort requirements seriously complicate the proposed realignment.

**Subcommittee request and questions:** The Subcommittee has requested that the Department of Finance and the Department of Alcohol and Drug Programs answer the following questions:

1. Briefly describe the proposed realignment and discuss factors such as caseload and programmatic issues that may affect the need for future expenditure increases.
2. Discuss the impact of federal MOE requirements and Proposition 36 requirements on the proposed realignment structure.
3. How will program operations change at the state and county level due to realignment?
4. What would the role of the state be in the context of realignment?
5. What reductions in state operations expenditures has the Administration identified as a result of the proposed realignment?

The Subcommittee has requested that the Legislative Analyst briefly discuss their analysis of the proposed program realignment.

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